



**TO:** Common Manual Recipients

**FROM:** Carolyn Small, Coordinator/Policy

**DATE:** September 29, 2003

**SUBJECT:** Common Manual Updates

Enclosed are the most recent policy updates that the Common Manual Governing Board approved on August 21, 2003, and a new running index of updates to the July 2003 reprint of the Common Manual.

You also may want to view an integrated version of the electronic Common Manual on the Missouri Department of Higher Education web site. The Integrated Common Manual is a particularly useful reference tool, since it includes new policy language shown by underlined text and deleted language shown by strike-outs. In addition, it contains a special feature: a note box, next to text that has been changed, which includes the effective date and triggering event. At the bottom of each page on which a change has occurred, you will find the policy reference number, batch number and the Governing Board approval date. The Integrated Common Manual is provided as a supplement to the enclosed Common Manual updates. You may view the electronic version of the July 2003 Common Manual, all policy updates to the July 2003 Manual that have been distributed to date, and the Integrated Common Manual at [www.dhe.mo.gov/publications/icminfo.htm](http://www.dhe.mo.gov/publications/icminfo.htm). MDHE participants are notified that new policy updates have been added to the Integrated Common Manual through a notice posted to the MDHE E-Distribution list. You may subscribe to this list by visiting the subscription page online at [www.dhe.mo.gov/mdhedigest/signup.htm](http://www.dhe.mo.gov/mdhedigest/signup.htm).

If you have questions about the content of the Common Manual, monthly policy updates, or the electronic Integrated Common Manual, contact Carolyn Small, coordinator - policy analyst, at (573) 751-1767.

Enclosures

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**If you have any questions about this publication of *Common Manual* Updates, please contact the MDHE Information Center at (800) 473-6757 or (573) 751-3940.**

**Running Index of Updates for July 2003 *Common Manual*, through August 21, 2003.**

**Furnished by the Missouri Department of Higher Education - Student Loan Program**



## Policy Changes Approved **August 21, 2003**

*Unified Student Loan Policy*

Batch 99: Proposal 632 & Batch 105: Proposals 692-698

The nation's guarantors provide the following summaries to inform schools, lenders, and servicers of the latest *Common Manual* policy changes. These changes will appear in the manual's next annual update in July 2004. These changes will also be incorporated into the September 2003 *Integrated Common Manual*. The *Integrated Common Manual* is available on the MDHE web site at [www.dhe.mo.gov/Publications/cminfo.htm](http://www.dhe.mo.gov/Publications/cminfo.htm). Please carefully note the effective date of each policy change.

### **Closed School Loan Discharges**

Revised *Common Manual* policy changes the formatting of subsection 12.8.B and creates a separate subheading for language specific to suspending and resuming collection activities during the closed school loan discharge process. This change conforms text in this subsection with the text formats in other subsections within section 12.8. Selected text from the first and second paragraphs under the subheading "Identifying Potentially Eligible Borrowers" has been moved to be the first and third paragraphs under the new subheading "Suspending Collection." The first paragraph of text under the subheading "Notification to the Borrower" has been moved to become the second paragraph of text under the subheading "Suspending Collection." Under this subheading, the text has been revised to clarify that once a lender receives reliable information that a borrower may be eligible for a closed school loan discharge, the lender *must* immediately suspend all collection activities and *may* place any affected loan in an administrative forbearance while awaiting confirmation of the borrower's eligibility for loan discharge. If the borrower's account is placed in a forbearance status, then the forbearance must continue until the lender receives confirmation of the school's closing and confirmation of the borrower's eligibility for loan discharge.

Revised policy also moves text pertaining to skip tracing from the subheading "Procedure for Discharging Loans" to "Notification to the Borrower" and adds text to clarify that if the request is resent to the borrower, the administrative forbearance period must not exceed a total of 60 days after the date on which the lender originally mailed the request to the borrower.

<b>Affected Section:</b>	12.8.B Closed School
<b>Effective Date:</b>	Retroactive to the implementation of the <i>Common Manual</i> .
<b>Basis:</b>	§682.211(f)(7); §682.402(d)(7).
<b>Policy Information:</b>	632/Batch 99
<b>Guarantor Comments:</b>	None



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### **Claims**

*Common Manual* policy in section 2.2 has been amended to more clearly iterate that the life of a FFELP loan ends when the loan is paid in full—or when the outstanding loan amount is fully discharged or forgiven. Phase 3 of the life of a loan has been updated to include that in addition to when the loan is paid in full by the borrower, the lender's obligation to maintain or service the loan ends when the loan is paid by consolidation, paid by the guarantor as a claim, or fully discharged or forgiven. In addition, subsection 2.2.C is updated to include that a loan that is forgiven is generally eligible for claim payment from the guarantor, and that certain forgiveness programs do not involve the guarantor, but rather involve direct reimbursement from the Department to the lender. Also, clarification has been added to state that permanently discharged and forgiven loans are not subject to further collection activities.

<b>Affected Sections:</b>	Figure 2-1 Life of a Stafford Loan 2.2 The Life of a FFELP Loan 2.2.C Repayment
<b>Effective Date:</b>	Retroactive to the implementation of the <i>Common Manual</i> .
<b>Basis:</b>	§682.215; §682.402; <i>Federal Register</i> , vol. 67, no. 168, dated August 29, 2002.
<b>Policy Information:</b>	692/Batch 105
<b>Guarantor Comments:</b>	None



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### **“The Life of a PLUS Loan” Flow Chart**

The *Common Manual* has been revised to include changes to the information in the “The Life of a PLUS Loan” flow chart, Figure 2-2, regarding the PLUS Application and Master Promissory Note (PLUS MPN), and acknowledges that a PLUS borrower enters repayment status when a loan is fully disbursed. The flow chart has also been revised to more accurately reflect flexible processing scenarios, similar to the processing scenarios acknowledged in the “The Life of a Stafford Loan” flow chart.

<b>Affected Section:</b>	Figure 2-2 The Life of a PLUS Loan
<b>Effective Date:</b>	The PLUS Application and Master Promissory Note (PLUS MPN) may be used for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003. The PLUS MPN must be used for loan periods beginning on or after July 1, 2004, or for any loan certified on or after July 1, 2004, regardless of the loan period.
<b>Basis:</b>	DCL GEN-03-03.
<b>Policy Information:</b>	693/Batch 105
<b>Guarantor Comments:</b>	None



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### **Financial Responsibility for For-Profit Servicers**

The *Common Manual* has been updated to align current text regarding financial responsibility standards with the federal regulations. Updated policy confirms that, in addition to other criteria, a for-profit servicer must have debt obligations (without insurance, guarantee, or credit enhancements) that are currently issued and outstanding and are listed at or above the second highest rating level of credit quality given by a nationally recognized statistical rating organization.

<b>Affected Section:</b>	3.6.B Financial Responsibility
<b>Effective Date:</b>	Retroactive to the implementation of the <i>Common Manual</i> .
<b>Basis:</b>	§668.15(b)(7)(ii).
<b>Policy Information:</b>	694/Batch 105
<b>Guarantor Comments:</b>	None



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### **Withdrawal Dates**

The *Common Manual* has been updated to provide guidance for schools to determine a student's withdrawal date if the student fails to earn a passing grade in at least one class *and* the school is unable to confirm the student's attendance through the end of the payment period or period of enrollment, as applicable. In this case, the school must use either the midpoint of the period or the student's last day of participation in an academically related activity—as documented by the school—as the student's withdrawal date.

<b>Affected Section:</b>	4.6 Withdrawal Dates
<b>Effective Date:</b>	Unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999.
<b>Basis:</b>	§668.22; 2002-2003 <i>Federal Student Aid Handbook</i> , Volume 2 Institutional Eligibility and Participation, Chapter 6, pages 2-114 and 2-115.
<b>Policy Information:</b>	695/Batch 105
<b>Guarantor Comments:</b>	None



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### **Consolidating Alternative Loans**

The *Common Manual* has been revised to clarify that other education loans that the lender considers when determining the length of the repayment period for a Federal Consolidation loan are those made to a borrower by an organization under a public or private student loan program exclusively for the purpose of financing the borrower's or a dependent student's postsecondary education. This revision was necessary to clarify the application of the policy to a parent loan borrower who obtains a Federal Consolidation loan.

<b>Affected Section:</b>	9.5.B Maximum Repayment Period
<b>Effective Date:</b>	Retroactive to the implementation of the <i>Common Manual</i> .
<b>Basis:</b>	§682.209(h).
<b>Policy Information:</b>	696/Batch 105
<b>Guarantor Comments:</b>	None





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### **Revised Claim Definition**

The *Common Manual* definition of "claim" has been amended to be more general, referring to all claim, forgiveness, and discharge types. The definition reads as follows:

**Claim:** The process by which the lender (or the lender's servicer) requests reimbursement from the guarantor for its losses on a Federal Stafford, SLS, PLUS, or Consolidation loan due to the borrower's default or eligibility for loan discharge or forgiveness.

<b>Affected Section:</b>	appendix G
<b>Effective Date:</b>	Retroactive to the implementation of the <i>Common Manual</i> .
<b>Basis:</b>	§682.402(1)(3).
<b>Policy Information:</b>	697/Batch 105
<b>Guarantor Comments:</b>	None



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### **Definition of Reaffirmation**

The *Common Manual* has been updated to include the definition of "reaffirmation" in the glossary as follows:

**Reaffirmation:** A borrower's acknowledgment of a loan repayment obligation—including all principal, interest, collection costs, legal costs, and late charges—in a legally binding manner.

<b>Affected Section:</b>	appendix G
<b>Effective Date:</b>	Retroactive to the implementation of the <i>Common Manual</i> .
<b>Basis:</b>	§682.201(a)(4).
<b>Policy Information:</b>	698/Batch 105
<b>Guarantor Comments:</b>	None